

THE CAP ON PROPERTY TAXES

Idaho's Cap on Property Taxes

A law was passed in 1995 setting a 3% cap on annual increases in the amount of property tax revenue used to fund most non-school taxing districts' budgets. The 3% allowable increase is based on the highest property tax budget for the prior three years for any affected taxing district. Additional property tax budget increases are allowed for taxing districts with new construction or annexation.

This cap does not apply to the following:

- School maintenance and operation funds
- Bonds
- Plant facilities funds
- Voter-approved overrides and supplemental funds
- School emergency funds
- School cooperative service agency (COSA) funds
- Funds for refunds to taxpayers resulting from property tax appeals decided by court or the Board of Tax Appeals
- Revenue from sources other than property tax

New Construction and Annexation

When a taxing district has added territory through annexation or taxable property through new construction in the prior year, its property tax budget for the current year is allowed to increase above the 3% cap.

The following example demonstrates how this is calculated:

Example: New construction or annexation budget calculations for a sample taxing district

2002 Property Tax Budget Under 3% Cap	\$100,000	
2002 Market Value	\$50 million	
2002 Levy Rate	.002	100,000 ÷ 50 million
2003 Value of 2002 New Construction	\$4 million	
Budget Increase Allowed for New Construction	\$8,000	4 million x .002
3% Increase	\$3,000	100,000 x .03
2003 Maximum Capped Budget	\$111,000	\$100,000 + \$8,000 + \$3,000

The \$8,000 shown would be in addition to \$3,000 allowed by the 3% cap. If this district annexed property in the prior year, the additional budget allowed would be calculated in the same way based on the taxable value of the annexed area (levy rate × annexed area's value).

New construction value includes increases in property value due to change of land use, such as when farmland becomes commercial or industrial. However, machinery and equipment generally are not included in new construction value.

Inflation-related Property Value Changes

Value increases related to inflation of existing property values do not generate property tax budget increases for non-school taxing districts. When some property values increase while others decrease or do not change, individual property taxes may increase at a higher rate than taxing districts' budgets.

Foregone Amounts

If a non-school taxing district's property tax budget subject to the 3% cap is raised less than the maximum allowed increase, the difference is considered a "foregone amount." The taxing district retains the right to add this amount to future property tax budget requests. Foregone amounts do not expire and can accumulate from year to year. When added to the property tax budget, these amounts are allowed to exceed the 3% cap. For example, if the taxing district in the example requested a property tax budget of \$110,000 in 2003 instead of the allowed \$111,000, then \$1,000 is the foregone amount. If no new construction or annexation occurred in 2003, this district could increase its property tax budget to \$114,300 in 2004. Of this increase, \$3,300 would represent a 3% increase over the \$110,000 budget in 2003, and the remaining \$1,000 would be the amount originally foregone.

School districts are not eligible for foregone amounts.

Special Provisions for School Districts

Currently, the tort fund (used primarily for liability insurance premiums) and the tuition fund are the only school district funds in use that are subject to the 3% cap.

The school maintenance and operations fund is the only major property tax budget calculated with a multiplier. This fund is calculated using a multiplier times the higher of the prior year's actual or adjusted taxable value. This multiplier is 0.003 for all school districts, except the Boise School District, which uses 0.00664167. The school maintenance and operations fund is the largest fund, accounting for about half of all school property taxes and about 1/4 of all property taxes in 2003.

Besides funds from property taxes, the school districts receive state funds provided through general school aid formulas and the property tax replacement formula. The property tax replacement is calculated by multiplying 0.001 times the higher of the prior year's actual or adjusted taxable value, provided the total for all school districts does not exceed \$75,000,000.

For More Information, Contact:

- Your county assessor
- Idaho State Tax Commission: In the Boise area, 334-7736; Toll free, 800-972-7660 x 7736
- Hearing impaired: TDD 1-800-377-3529
- tax.idaho.gov

This information was prepared by the Idaho State Tax Commission. It does not provide comprehensive explanations of Idaho tax laws or rules. Specific questions should be addressed to the Tax Commission.